

**GOVERNMENT OF INDIA  
FINANCE  
LOK SABHA**

UNSTARRED QUESTION NO:3679  
ANSWERED ON:14.12.2012  
EXTERNAL FLOW  
Pakkirappa Shri S.

**Will the Minister of FINANCE be pleased to state:**

- (a) whether Government is contemplating any control on capital flows to minimise the percentage of volatile external flows
- (b) if so, the details thereof; and
- (c) the total value of external flows of foreign exchange reserves over the past three months, month-wise?

**Answer**

MINISTER OF STATE IN THE MINISTRY OF FINANCE (SHRI NAMO NARAIN MEENA)

(a) & (b): Policy relating to capital flows and foreign exchange management is reviewed periodically by the Government in consultation with RBI & SEBI keeping in view the evolving macro economic situation and global developments. Accordingly, in order to curb the volatility in foreign exchange market and to encourage greater capital inflows into India, various policy and administrative measures have been taken which inter-alia include:

- a) The limits for FII investment in various categories of debt securities have progressively been enhanced.
- b) The all-in-cost ceiling for external commercial borrowing (ECB) has been raised.
- c) The ceiling rate of interest on FCNR (B) deposits has been enhanced in May 2012.
- d) The ceiling rate on export credit in foreign currency was deregulated in May 2012 and banks have been allowed to freely determine the interest rates on such credits.
- e) In May 2012, Authorised Dealer banks were asked to convert fifty percent of the balances in Exchange Earners Foreign Currency (EEFC) Account into rupee balances in order to improve capital inflows.
- f) A new ECB scheme of US \$10 billion was introduced in June 2012 to allow companies in the manufacturing and infrastructure sector that were naturally hedged to avail ECB for repayment of outstanding rupee loan towards capital expenditure and/or for fresh rupee capital expenditure under approval route.
- g) Qualified Foreign Investors (QFI) have been permitted to invest in Indian securities market in certain eligible securities subject to terms and conditions as stipulated by RBI & SEBI.
- h) The policy pertaining to Foreign Direct Investment (FDI) has been reviewed and liberalisation measures have been taken in the sectors of multi-brand retail trading, single brand retail trading, permitting investments in the civil aviation sector, enhancing limits in the Broadcasting sector, permitting FDI in power exchanges.

In July 2012, the erstwhile stipulation of allowing credit of 100 percent foreign exchange earnings to the EEFC A/c was restored subject to the condition that the sum total of the accruals in the account during a calendar month should be converted into Rupees on or before the last day of the succeeding calendar month after adjusting for utilisation of the balances for approved purposes or forward commitments;

- (c) The total value of external flows of foreign exchange reserves over the past three months is as under;

(In USD Million)					
Month	FCA#	Gold	SDR	RTP#	FER
(A)	(B)	(C )	(D)	(A+B+C+D)	
August 2012	257,620	26,239	4,393	2,209	290,461
September 2012	259,958	28,133	4,451	2,270	294,812
October 2012	260,351	28,189	4,446	2,268	295,254

#FCA- Foreign Currency Assets, SDR- Special Drawing Rights,

RTP- Reserve Tranche Position, FER- Foreign Exchange Reserves,